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DIRECTORATE OF INTELLIGENCE

Intelligence Report

The Situation in South Vietnam (Weekly)

State Dept. review completed

USAID review completed ARMY review(s) completed.

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CENTRAL INTELLIGENCE AGENCY Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM (30 January - 5 February 1967)

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I. POLITICAL SITUATION

Continuing preliminary campaigning for the presidency by both Premier Ky and Chief of State Thieu is highlighting current political developments.

The Constituent Assembly is now working on the future government's legislative branch, and will soon begin to discuss aspects of legislative authority. There are indications that the government and the assembly have reached an agreement on controversial aspects of the draft constitution dealing with the legislature.

Although there are some hopeful signs, relations between the government and montagnards in the central highlands have not yet been firmly settled.

Preliminary Electioneering

- Local interest in the future presidential election continues to grow, with both Chief of State Thieu and Premier Ky indulging in preliminary campaigning. General Thieu, following his publicized tour of the delta provinces the previous week, held a major reception for the press in Saigon on 30 Jan-Ky, apparently in part to offset Thieu's barnstorming, flew to the delta on 3 February to take part in religious ceremonies of the Hoa Hao sect. Both men spoke liberally about such potential campaign issues as peace, anti-corruption, and land reform, with Thieu holding out the prospect that the Vietnamese army's new pacification role would shorten the war and Ky declaring that presidential elections could be advanced by some three months to early sum-
- 2. Although both generals publicly profess a preference for a military career, they appear clearly to be bidding to become the presidential candidate of the military. The subject of a single military candidate was tentatively broached between them a few

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weeks ago, but a final decision reportedly was put off until after the new constitution is promulgated about April. Continued preliminary campaigning, however, could force an earlier confrontation to resolve the issue.

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Meanwhile, retired General Tran Van Don, frequently mentioned as a possible "civilian" candidate, told an embassy officer last week that he would not run and might back Ky, adding that he would be a fool to compete against the resources of the present military leaders. The embassy, convinced of Don's political ambitions, speculates that he may now be thinking of throwing his support to Ky in return for a high government appointment. The bulk of southerners, toward whom Don would normally look for support, are, however, leaning strongly toward former premier Tran Van Huong as a civilian candidate. Catholic sentiment is presently divided along regional lines between Huong and Ky, with some northern refugee Catholics talking of a slate which could include both men in some combination of president and premier.

Constituent Assembly Developments

- 4. The Constituent Assembly last week began work on the future government's legislative branch, and approved general provisions on the organization and election of a bicameral legislature. Deputies in the lower house, which will range in size from 100 to 200 members, will be elected from separate constituencies which are no larger than provinces, will serve four-year terms, and may be re-elected. The upper house will have between 30 and 60 members elected at large throughout the country on a list basis rather than on an individual basis.
- 5. Meanwhile, Chief of State Thieu sent a formal letter to assembly president Phan Khac Suu on 28 January outlining Directorate suggestions for the constitution. Many of the Directorate's proposals concerned greater restrictions on the authority of the legislature than now outlined in the assembly's working draft.

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The articles dealing with the legislature's authority have not yet been discussed by the entire assembly.

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- 6. At the same time, however, public criticism of the assembly's draft, apparently inspired by government leaders, is continuing. On 29 January, a Vietnamese youth group generally known to be sponsored by Premier Ky and Police Director Loan held a seminar at which criticism of the assembly's draft echoed that which has been made by military leaders. The seminar received wide publicity in the government-controlled Vietnamese press.
- 7. Such efforts by the military leaders to bring contrived public pressure on the assembly is an irritant to many assemblymen, especially in view of their earlier agreement with Directorate members to work out differences over the constitution in private. The public campaign against the assembly's draft apparently has not caused serious resentment in the assembly thus far, and there are indications that the government and the assembly have now reached an agreement on controversial aspects of the draft dealing with the legislature.

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Local Election Schedule

9. In accordance with a government decree on local administrative reform promulgated in late 1966,

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local elections for village councils and hamlet chiefs have now been scheduled for this April, May, and June. The timing of these elections has been phased so that in each province no more than 30 percent of the elections in villages and hamlets under government control will be held at the same time. Presumably, the advantage in phased elections is that security forces can be concentrated to protect the elections from Viet Cong harassment. In most other respects, election regulations will resemble those for the Constituent Assembly last September.

Montagnard Developments

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- 10. Y Bham Enoul, leader of the dissident tribal autonomy movement FULRO, failed to attend a scheduled meeting with US and GVN representatives on 28 January. Y Bham, who has been in hiding in Cambodia, recently had requested assistance in seeking political asylum in Thailand, and the meeting on 28 January had been arranged for this purpose. It is not clear whether Y Bham deliberately passed up the meeting, or whether his couriers failed to reach him in time to confirm the time and place of the meeting.
- 11. News of the prospective meeting between Y Bham and US and GVN officials apparently caused a favorable reaction among montagnards in the Ban Me Thuot area of Darlac Province. They evidently interpreted the government's willingness to attend such a meeting as another indication of the government's recent responsiveness towards montagnard affairs. The outcome of another scheduled return of FULRO members to government control, scheduled to take place this week, should provide further positive indications.
- 12. Meanwhile, there have been some indications of restiveness among montagnards in northern Kontum Province, where they have normally been quiet. Montagnard sources attribute this unrest to dissatisfaction with government policies there, especially the government's unwillingness or inability to protect the montagnards against Viet Cong harassment.

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Students Restive at Saigon University's School of Medicine

- 13. The public installation of a new five-man governing committee appointed by the government for Saigon University's School of Medicine took place on 30 January with an estimated 500 troops on guard against possible disruptive efforts by students. The ceremony had been postponed on two earlier occasions by student opposition. Students at the ceremony on 30 January carried banners protesting government interference in university affairs, but there was no violence.
- 14. The origins of unrest among the medical students extend at least as far back as last spring, when the students, with faculty encouragement, spear-headed pro-"struggle" demonstrations. More recently medical students led some demonstrations in November against French, American, or other foreign instruction on the grounds that it was detrimental to Vietnamese culture. In mid-January, Premier Ky decided to replace the dean and four professors at the school, and to establish closer government supervision over it.
- 15. US officials in Saigon are unsure what, if any, outside political forces are behind recent student agitation and restiveness. It is possible that some of the student leaders have connections with Tri Quang's militant Buddhists, or with dissident southerners. Neither is it yet clear if the student agitation will spread to other schools in the university. Student presidents at ten of the 14 schools and faculties affiliated with the university reportedly signed a petition denouncing government infringement of the university's sovereignty, and scheduled a meeting on 31 January to decide what action to take. Results of this meeting have not been reported, but apparently no immediate major action was taken by the students.

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II. REVOLUTIONARY DEVELOPMENT

Continued successes are being reported in pacification efforts in Vinh Bunh The anticipated use of Revolu-Province. tionary Development (RD) Cadre in the 1967 election campaigns is expected to have no detrimental effect on over-all RD efforts, providing their use is not for a prolonged period. Resettlement of villagers displaced by Operation CEDAR FALLS is proceeding smoothly. Weaknesses noted in the Chieu Hoi program relating particularly to the rehabilitation of ralliers in the Chieu Hoi centers and to a follow-up on their activities after release remain as yet unsolved. Some 592 Viet Cong returned to government control in the period 15 to 21 January, and preliminary figures indicate 823 rallied in the period 22 to 28 January. The initial 28-day total is 2,272 Chieu Hoi. In 1966, there were 20,242 ralliers; 64 percent of these were military. A preliminary survey indicates about one percent were North Vietnamese troops.

Continued Success in Pacification

in Vinh Binh Province

- 1. Latest figures show that Revolutionary Development Cadre (RDC) Teams and People's Action Teams (PATs) in Vinh Binh Province have secured a total of 27 hamlets, principally in Tieu Can District. Their success appears contagious, and, along with improved security, the economy of the area is definitely improving. With assistance from RD cadre one hamlet with a population of only 1,800 built eight miles of inter-hamlet road. The province chief, impressed with the local initiative, has directed that all major inter-hamlet roads built on local initiative be hard-surfaced. This will facilitate and stimulate additional economic growth in the area.
- 2. Another hamlet, which had paid one million piasters in Viet Cong taxes in 1965 and early 1966 was pacified during 1966 and paid no taxes to the enemy

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during the remainder of the year. This hamlet was able to defend its rice crop successfully, and received a tax write-off from the GVN to promote its local economy. This hamlet, with three RD teams and 60 hamlet defenders, was attacked at night during the week of 20 January 1967 by a Viet Cong battalion. The hamlet, under attack for five hours, suffered one killed and 11 wounded compared with 60 Viet Cong confirmed killed. The defenders were supported throughout the night by armed aircraft. MACV advisers have stated that the teams and the hamlet residents conducted a brilliant defense—well coordinated with air and artillery support—and generally displayed discipline and spirit.

3. Two village areas of Tieu Can District are now 95 percent pacified. Elections have been held in all hamlets, village elections are pending, and farm cooperatives and non-funded self-help schools are being established. An ex-Viet Cong, who rallied under the Chieu Hoi program, is teaching in one of the hamlet schools.

Impact of Elections on Revolu-

tionary Development

4. In view of the major contribution of the Ministry of Revolutionary Development (MRD) in mobilizing support for the Constituent Assembly elections in September 1966, it is assumed that the MRD will be active in the presidential and other elections planned for 1967. The three to four weeks devoted to the 1966 election resulted in no appreciable diversion of assets from RD efforts. Provided that the election preparations in 1967 are not greatly prolonged, they are not expected to cause detriment to the RD effort this year.

Resettlement Plans for People

Displaced by CEDAR FALLS

5. As many as 8,000 people may have been displaced by Operation CEDAR FALLS, the recently concluded allied action against a Viet Cong sanctuary north of Saigon. The

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refugee camp at Phu Cuong-the capital of Binh Duong Province-is caring for approximately 6,100 of these persons or about 1,430 family units. Present plans call for resettlement of the refugees by 15 April, although the final date depends on the amount of time required by ARVN/US engineers to clear homesites and construct new living quarters.

- 6. The majority of the families—1,300—will be resettled in a new community to be established at Binh Hoa Village, eight miles southeast of Phu Cuong. The new community will comprise 125 acres and will provide a school, market, and wells. Each family will have a housing plot approximately 10 by 25 yards and a new home costing approximately 11,000 piasters. The cost of the houses will be borne in part by the Special Commission for Refugees (5,000 piasters) and, another 6,000 piasters may be obtained from the Ministry of Social Welfare. If the Welfare ministry will not help fund the project, the remaining costs may be assumed by USAID, which is now supplying roofing and cement. The first 50 families are to be resettled after Tet, the Lunar New Year.
- 7. The remainder of the refugees--100 families of rubber workers--will be resettled in Binh Long Province under arrangements to be made by the province chiefs of Binh Duong and Binh Long. A number of other people, especially craftsmen, have indicated a preference to live in Ben Cat town in northern Binh Duong; they probably will be allowed to do so.
- 8. The land around the principal settlement, Binh Hoa, is most suitable for produce farming. Since the agricultural experience of the refugees is in rice cropping, classes are being given in the refugee center on the new method of farming. In addition to allied medical teams circulating in the refugee camp, a school has been established and most of the children are receiving their first formal education in two years. About 400 of the men and women are producing cinder blocks for the construction of their new homes, and are receiving pay in the form of additional foodstuffs.

Developments in the Chieu Hoi Program

- 9. Since all provinces now have a third country national (Filipino) as Chieu Hoi adviser, the US mission is initiating independent reporting on the number of ralliers. This should eliminate the traditional time lag in the reporting by the Minisry of Information and Chieu Hoi and should permit better analysis of factors bearing on the returnee rate. As a further refinement, the number of North Vietnamese defectors and the number of ralliers from the Viet Cong Main Force (subordinate to a VC region or to the Central Office for South Vietnam--COSVN) will be reported separately.
- 10. During November 1966, 18 provinces improved the physical layout of their Chieu Hoi centers, and 19 carried on some form of vocational or literary training. The latter is encouraging since this training was undertaken on local initiative and without national funds. Although 16 provinces reported programs for resettlement of ralliers in Chieu Hoi hamlets, effective resettlement is by and large lagging.
- 11. A recent increase in the number of ralliers, a trend begun in September 1966, has been credited to intense military operations by allied forces, the discomfort of Viet Cong living conditions, disillusionment with Viet Cong promises, and an increasingly effective allied psychological operations program.
- 12. Much remains to be done, however, to improve the program while the Hoi Chanh is in the Chieu Hoi center, especially in such areas as effective use of the rallier's time, literacy and vocational training, and medical care. Since the majority of returnees have earned their livelihood through agriculture, some thought is being given to farming land around the centers. There is a need for ralliers to be issued ID cards prior to leaving the center since, without them, employment is difficult, if not impossible, in GVN-controlled areas.
- 13. Another problem, yet unsolved, is to determine what happens to ralliers after they leave the center. Residents of Chieu Hoi hamlets can be easily accounted for, but the overwhelming majority who settle elsewhere cannot be. From an administrative standpoint, the simplest solution may be to have ralliers report periodically to the National Police. Those remiss in doing so might suffer loss of "legal" status.

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14. This question of follow-up, a relatively new feature of the Chieu Hoi program, is one to which increasing attention must be paid if the program is to maintain its plausibility. Surveys of attitudes among Hoi Chanh indicate that a significant percentage of Viet Cong desiring to rally do so only after a "wait and see" period to discover what happened to others who preceded them.

Chieu Hoi Statistics

15. During the period 15-21 January, 592 persons rallied to the government under the Chieu Hoi ("Open Arms") program. In this period reports were not received from 11 provinces, including six major provinces of IV Corps. A breakdown of Chieu Hoi returnees for this reporting period follows:

_	~	o =		
Ţ	Corps	35	Military	307
II	\mathtt{Corps}	291	Political	201
III	Corps	208	Other Elements	85
IV	Corps	_58		
		592		

16. Preliminary figures for the period 22 to 28 January indicate that 823 Viet Cong rallied to the GVN. Included in these figures are 484 military, 257 political, and 82 other Viet Cong elements. The preliminary total for the first 28 days of January is 2,272.

Chieu Hoi Summary for 1966

17. In 1966, 20,242 Viet Cong rallied to GVN. A breakdown of this figure lists 64 percent as "military," 31 percent as "political," and five percent in such "other" categories as civilian supporters. A survey conducted by the Rand Corporation of 1,350 of these 1966 returnees reveals the following breakdown:

NVA troops	1 percent
VC Main Force	6 percent
VC Local Force	7 percent
Armed Guerrilla	60 percent
Civilian	26 percent

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18. Because of the small number surveyed, it is not possible to determine if, what appeared in an earlier poll to be a changing trend (that a larger percent of Viet Cong ralliers are from Main Force and Local Force units), continues to be true. In the earlier Rand survey of 6,000 defectors, from the period October 1965 to June 1966, the percentage of Main Force/Local Force ralliers doubled from eight to 17 percent over the nine-month period. With regard to the number of troops who bring in weapons, a survey conducted among 3,000 military ralliers from July 1965 to September 1966 revealed that ten percent of Main Force soldiers and village guerrillas, and 15 percent of Local Force soldiers and hamlet guerrillas rallied with weapons.

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III. ECONOMIC SITUATION

Prices of domestic and imported commodities in Saigon continued to rise during the week ending 30 January. Free market gold and currency prices, however, were slightly lower. The rice situation continues to worsen, with rice prices up about 30 percent during the past month. Premier Ky has agreed to send a delegation to Bangkok to purchase Thai rice. The Saigon prefecturate has backed down on its attempt to liberalize pork marketing. Truong Thai Ton has been appointed secretary general for economy and finance to coordinate the activities of the five ministries concerned with economic matters. The US Embassy reports that Truong Van Thuan, who was recently given over-all responsibility for all of South Vietnam's ports, appears to be off to a good start in his new position.

Prices

The steady rise in Saigon retail prices continued during the week ending 30 January as these prices rose another three percent. Low stocks and anticipation of higher prices pushed rice prices up for the fifth consecutive week. On 30 January the price of the type of rice used by the working class reached 2,100 piasters per 100 kilograms compared with 1,650 piasters about a month ago. Although the price of pork bellies held steady at last week's price of 150 piasters per kilogram, the price of lean pork rose to 250 piasters per kilogram, or 14 percent above the previous week. Prices of beer, fish, bananas, bread, and onion shoots also were higher, partly because of increased Tet demand. Sugar and condensed milk prices declined, on the other hand, as a result of increased distribution to dealers. Nonfood prices were generally unchanged. (A table of weekly retail prices in Saigon is included in the Annex.)

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2. Prices of imported commodities also rose about three percent. According to the USAID index for selected US-financed imports, commodity prices on 31 January were about 14 percent above a month ago. The most significant change during the week under review was a 20-percent increase in the price of cement, caused by the current low level of stocks.

Currency and Gold

3. Free market currency and gold rates declined. On 30 January the price of dollars was 174 piasters per dollar, or one piaster below the previous week, whereas gold moved down two piasters to 223 piasters per dollar. MPC (scrip) fell three piasters to 112 piasters per dollar in response to a rumor of a change in series. (A graphic on monthly and weekly free market gold and currency prices is included in the Annex.)

Rice Situation

- 4. The rice situation continues to grow worse with rice prices up about 30 percent during the past month and rice stocks at very low levels. Because repeated US efforts to activate the GVN bureaucracy to arrange for rice imports from Thailand have been unsuccessful, Ambassador Lodge called on Premier Ky on 28 January and urged him to send a high-level delegation to Bangkok immediately to purchase Thai rice before it is sold to other countries. Ky agreed to send an official soon.
- 5. Just prior to the ambassador's meeting with Ky, US officials discussed the rice stock crisis with Secretary of Commerce An, who said that a GVN delegation would be sent to Bangkok, possibly within a week. An also reported that he had cabled National Bank Governor Hanh, who is currently in Washington, and had asked him to arrange for the purchase of US rice-evidently 200,000 tons-on commercial terms for delivery during July-October when rice stocks may once again reach low levels.
- 6. Meanwhile, Assistance Secretary of Commerce Trong told US officials that he, Secretary An,

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and the director of the National Agricultural Credit Office were about to go to the delta to purchase rice, although they had no way of knowing how much rice delta merchants have on hand. Trong said the GVN delegation will be prepared to offer the going market price of the day on which the purchase is made. Consequently, the merchants will make a considerable profit since prices have risen markedly since the beginning of the season. Moreover, although the GVN team intends to describe their trip publicly as a familiarization trip in order to prevent further hoarding and price increases, the real purpose will quickly become obvious once GVN purchasing begins. The US Embassy feels that this trip is inadvisable because it could convince the merchants that the GVN is desperate for rice and result in more speculation and higher prices. Nevertheless, Secretary An still intends to make purchases in the delta now rather than wait until stocks are built up with Thai rice.

Recent Developments in Pork Marketing

- 7. On 23 January the Saigon prefecturate abandoned the system of rationing pork to retailers at an officially set price. Starting that day, retailers were to make their own arrangements for purchasing pork at prices to be agreed upon between them and the suppliers. The purpose of this action was to encourage larger deliveries of hogs to meet increased demand during Tet. Immediately following the announcement of this new system, however, there was a rise in the price to retailers, who protested the system and promptly boycotted the slaughterhouse.
- 8. As a result, the Saigon prefecturate has now backed down on its attempt to liberalize pork marketing. Rationing of officially priced pork to retailers was resumed on 29 January and will last through the end of Tet on 15 February. If the Ministry of Commerce agrees, however, the official price of live hogs will be raised from 7,000 to 7,500 piasters per 100 kilograms of live hog and official retail prices also will be increased by seven percent. Pork retailers ended their boycott upon being informed that the old official price

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would not be enforced as long as retailers charged reasonable prices. Throughout the struggle between the retailers and the prefecturate, hogs continued to arrive at the slaughterhouse in good number.

New Secretary General for Economy and Finance

- Premier Ky has announced the appointment of Acting Secretary of Industry Truong Thai Ton to the position of secretary general for economy and This position, which is essentially the same as that formerly held by Au Truong Thanh, had been abolished last November. Since that time it has become obvious to Vietnamese officials that a strong hand was needed to coordinate the activities of the three separate economic ministries of finance, commerce, and industry. In his new position as the highest ranking GVN economic official, Ton will supervise the operations of these three ministries as well as those of the ministries of labor, communications, and transportation. tion, Ton will serve as chairman of the Economy and Finance Committee which is the basic economic policy committee of the GVN. It was also announced that prominent businessman and former president of the Saigon city council La Thanh Nghe, who had been mentioned for the industry position at the time of the November reorganization, has been officially appointed secretary of industry.
- 10. Apparently, Ton had refused to accept his new position earlier because it would have appeared that he had been named by former minister of economy Thanh who, in his blistering farewell speech last November, had recommended Ton as a replacement. With the passage of two months, however, Ton can now state that he was selected by the cabinet. Although the re-establishment of an over-all economic chief is a big step forward, Ton's first incumbency in this position (June 1965 February 1966) demonstrated that he is a rather weak person. Consequently, the US Embassy does not expect strong economic policies or direction to emanate from Ton's new office.

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Minister Thuan's Views on the Saigon Port

In a meeting with US officials on 25 Janu-11. ary, GVN Minister of Transportation and Communications Truong Van Thuan, who was recently given overall responsibility for all of South Vietnam's ports, outlined his views on the Saigon port problem. Thuan feels that special efforts should be made during the Tet period to induce importers to remove their goods from the port, particularly from the barges. One of his major themes was the need to increase the number of bonded warehouses that could be used for in-transit cargo, and to provide additional customs officials to cover these areas and give better service to importers. Thuan also noted that he had been studying the port situation intensively for almost a year and was now preparing an operational plan for immediate improvement of the port. He intends to circulate this plan among US officials with whom he hopes to work closely. Based on this initial meeting, the US Embassy comments that Thuan appears to be off to a good start in his new position.

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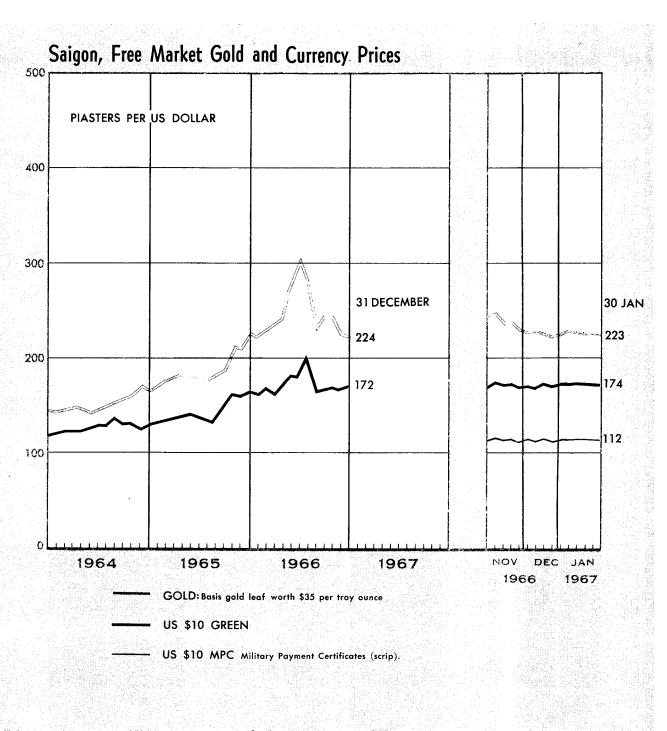
TABLE
Weekly Retail Prices in Saigon a/

	13 Jun 1966 <u>b</u> /	16 Aug 1966 <u>b</u> /		16 Jan 1967	23 Jan 1967	30 Jan 1967
Index for All Items	173	211	232	239	247	254
Index for Food Items	190	216	246	257	269	<u>283</u> <u>c</u>
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.) Pork Bellies (1 kg.) Fish-Ca Tre (1 kg.) Nuoc Mam (jar)	1,250 90 130 70	1,450 100 170 85	1,850 130 150 90	1,900 130 160 120	2,000 150 160 120	2,100 150 180 120
Index for Non-Food Items	140	190	205	204	205	<u>205</u> <u>c</u>
Of Which: (In Piasters)						
Charcoal (60 kg.) Cigarettes (pack) White Calico (meter) Electricity (kwh)	460 10 27 4.2	600 14 37 N.A.	700 14 33 5.2	$700 \\ 14 \\ 32 \\ 5.2$	710 14 31 5.2	680 14 31 5.2

a. Data are from USAID sources. For all indexes 1 January 1965 = 100.

b. Price levels just prior to and two months after the 18 June devaluation.

c. Preliminary.



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